

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CITIES SERVICE OIL AND GAS CORPORATION)	CASE NO.
(ABANDONMENT OF RESIDENTIAL SERVICE))	9324

O R D E R

For many years, Cities Service Oil and Gas Corporation ("Cities Service") produced natural gas in Floyd and Pike counties, Kentucky, for sale to Columbia Gas Transmission Corporation ("Columbia") and Kentucky West Virginia Gas Company ("Kentucky West"). Since both companies are interstate pipelines, these sales were considered a part of interstate commerce and subject to federal regulation by the Federal Energy Regulatory Commission ("FERC").

Under KRS 278.485, residential consumers located within the vicinity of a gathering line of the type operated by Cities Service may apply for and receive gas service at the approved rate. However, KRS 278.485 is not applicable to any gathering system that sells directly to an interstate pipeline.¹ Thus, in order to lawfully sell gas to residential consumers in Kentucky under the provisions of KRS 278.485, Cities Service was required

¹ Public Service Commission of Kentucky v. Federal Energy Regulatory Commission, 610 F.2d 439 (6th Cir. 1979).

to obtain the release of this gas from its prior dedication to interstate commerce. Accordingly, in 1980 Cities Service sought and obtained the approval of the FERC to abandon its service to Columbia and Kentucky West from the wells in the Big Sandy Field, Pike County, Kentucky.² Thus, the gas sales now being made by Cities Service to residential customers from the Law Heirs Well "A" 24 line in Floyd and/or Pike counties are subject to the jurisdiction of this Commission as to rates and service.

On January 30, 1985, Cities Service verbally notified a member of the Commission's staff that the company intended to abandon residential service from the Law Heirs Well "A" 24 line on the ground that this well is no longer capable of producing enough gas to adequately serve the needs of the existing customers. The Commission's staff informed Cities Service that the proposed abandonment of service would require the approval of the Commission and Cities Service agreed to continue service to these customers until this issue was resolved.

Having considered this matter and being advised, the Commission finds that:

1. The sales of natural gas by Cities Service to residential customers in Pike and/or Floyd counties are subject to the jurisdiction of this Commission pursuant to KRS 278.010(3)(b), 278.040(2), and 278.485(1) and (7).

² A copy of the FERC's order approving the abandonment, issued August 22, 1980, is attached as an appendix to this Order.

2. Cities Service should forthwith file an application with the Commission for abandonment of service to the affected residential customers. Such application should clearly state the reasons why the company believes that abandonment of service from this well is justified and include all supporting documentation.

3. A public hearing should be held as soon as possible on Cities Service's proposal to abandon service to the affected residential customers.

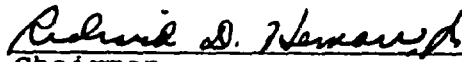
IT IS THEREFORE ORDERED that Cities Service shall file a formal application to abandon residential service from its Pike and/or Floyd County well on or before April 30, 1985.

IT IS FURTHER ORDERED that a public hearing to assess the merits of Cities Service's proposed abandonment will be conducted in the Commission's offices in Frankfort, Kentucky, on May 10, 1985, at 1:30 P.M., E.D.T.

IT IS FURTHER ORDERED that Cities Service shall provide a copy of this Order to each of the affected residential customers within 5 days from the receipt of this Order by the company.

Done at Frankfort, Kentucky, this 18th day of April, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

**CERTIFICATE
(Abandonment)**

Cities Service Company) **Docket Nos. G-7008 and**
 G-7009

(Issued August 22, 1980)

Cities has been and is furnishing gas to domestic users pursuant to Kentucky Revised Statute § 278.485 which requires gas service to owners of property on or over which producing or gathering facilities are located or owners of property in the vicinity thereof. The U. S. Court of Appeals of the Sixth Circuit, in Public Service Commission of Kentucky v. Federal Energy Regulatory Commission, 610 F.2d 439 (1979), held that authorization from FERC is required before interstate gas supplies can be diverted to Kentucky domestic consumption. Thus, Cities is now filing for authorization to release the subject gas in order to continue to provide gas for existing domestic users in the State of Kentucky. Columbia and KWVA have executed letter agreements dated March 28, 1980, with Cities for release of the gas.

Since the volumes of gas involved are small and will have a de minimus impact on Columbia's and KWA's overall gas supply and no significant impact on their supply in the near future, we believe the public convenience and necessity will be met through release of the volumes for high priority domestic use. Given this disposition, we need not consider whether certificate authorization is required in connection with the service rendered for the domestic users.

After due notice by publication in the Federal Register, no protests or petitions to intervene in opposition have been filed.

At a hearing held on _____, there was received and made a part of the record in this proceeding all evidence, including the applications submitted in support of the authorization sought herein, and upon consideration of the record,

This Commission finds:

(1) The sales of natural gas proposed to be abandoned, as hereinbefore described and as more fully described in the applications are subject to the requirements of subsection (b) of Section 7 of the Natural Gas Act.

(2) The abandonments proposed by Applicant herein are permitted by the public convenience and necessity and should be approved as hereinafter ordered.

The Commission orders:

(A) Permission for and approval of the partial abandonments of service in Docket Nos. G-7008 and G-7009, as hereinbefore described and as more fully described in the applications, are granted. Cities and the domestic users are advised that the volumes of gas to be released are to be used only for high priority domestic use.

(B) The notices of partial cancellation dated April 15, 1980, and April 14, 1980, are accepted as Supplement Nos. 14 and 45, to Cities' FERC Gas Rate Schedule Nos. 233 and 235, respectively, effective the date of this order.

(C) In accordance with the Natural Gas Policy Act of 1978 (NGPA), since the natural gas involved was "committed or dedicated" to interstate commerce on November 8, 1978, any sale thereof may not be made at a rate in excess of the lesser of the contract rate or the maximum lawful rate prescribed in Section 104 of the NGPA unless the producer obtains special

Cities Service Company
Docket Nos. G-7008 and
G-7009

- 3 -

relief or the gas qualifies for a higher rate under another Section of the NGPA and (i) there is compliance with the Part 273 interim collection procedure, (ii) a final determination has been made by the jurisdictional agency under Part 274 or (iii) a final non-appealable action has been taken by the Commission in accordance with Section 275.202 of the regulations relating to Section 503(e) of the NGPA.

By the Commission.

(S E A L)

Kenneth F. Plumb

Kenneth F. Plumb,
Secretary.